

EDEN

EXPLORATION

LTD.

1994

ANNUAL REPORT

Corporate Profile

Eden Exploration Ltd. is a public Junior Capital Pool Company whose shares commenced trading on the Alberta Stock Exchange under the trading symbol "EDX" on November 14, 1994. The principal business of Eden is the identification and evaluation of oil and gas assets, corporations, properties or businesses and once evaluated, to negotiate an acquisition or participation subject to the receipt of shareholder and regulatory approval.

Directors and officers own approximately one third of the common shares of the company. Compensation for services received from officers, directors and certain advisers is provided through a stock option plan.

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of Eden Exploration Ltd. will be held at 2:00 PM (Calgary Time) on June 26, 1995 in 350, 144 4th Avenue S.W., Calgary, Alberta.

All shareholders are encouraged to attend this meeting. To assure representation at the meeting, those who are unable to attend are requested to complete the proxy mailed with this report and return it to the registrar within the times specified in the Notice of Meeting also mailed with this report.

EDEN EXPLORATION

Statement of Changes in Financial Position

| For the three months ended March 31 (unaudited) | 1995 |
|---|------------------|
| Operating Activities | |
| Net Loss | (\$11,508) |
| Net change in non-cash working capital | <u>(1,063)</u> |
| Net Increase (Decrease) in Cash | (12,571) |
| Cash at beginning of period | \$346,630 |
| Cash at end of period | <u>\$334,059</u> |

Note: There are no comparable figures for the same period in 1994

Eden

Exploration

Ltd.

1100, 112 – Fourth Avenue S.W.

Calgary, Alberta, Canada

T2P 0H3

First Quarter

Three Months Ended March 31, 1995

EDEN EXPLORATION

Balance Sheet

| As at March 31, 1995 (unaudited) | 1995 |
|---|------------------|
| ASSETS | |
| Current Assets | \$334,059 |
| Total Current Assets | 334,059 |
| TOTAL ASSETS | \$334,059 |
| LIABILITIES | |
| Current Liabilities | \$137 |
| Total Current Liabilities | 137 |
| TOTAL LIABILITIES | \$137 |
| SHAREHOLDER EQUITY | |
| Paid in Capital | \$360,027 |
| Retained Earnings | (26,105) |
| Shareholder Equity | \$333,922 |
| TOTAL LIABILITIES & SHAREHOLDER EQUITY | \$334,059 |

Note: There are no comparable figures for the same period in 1994

EDEN EXPLORATION

Statement Of Operations And Retained Earnings

| For the three months ended March 31 (unaudited) | 1995 |
|---|------------|
| Revenue | \$4,909 |
| Interest Income | |
| Total Revenue | 4,909 |
| Expenses | |
| General & Administration | \$8,208 |
| Property Evaluations | 8,209 |
| Total Expenses | 16,417 |
| Income/(Loss) For the Period | (11,508) |
| Retained Earnings Opening Balance | (\$14,597) |
| Income/(Loss) For the Period | (11,508) |
| Retained Earnings Closing Balance | (\$26,105) |

Note: There are no comparable figures for the same period in 1994

President's

MESSAGE

Eden Exploration Ltd. is a Junior Capital Pool Company whose principal business activity is to identify, evaluate and negotiate the acquisition of oil and gas assets, corporations, properties or businesses that will lead to an enhancement of the investment of our shareholders.

The Birth of a New Company

In 1994, our management team concluded that the long term fundamentals of the oil and gas industry continue to strongly support growth for junior oil and gas companies which find, develop and operate oil and gas reserves in a cost effective manner. In order to do this consistently, a company requires a strong balance of technical expertise, careful evaluation of opportunities and prudent application of human and financial resources. Believing that the right mix of expertise and ability is present within the management team, it was decided to establish Eden as a public company to provide the vehicle for realizing the benefits to come from participation in this dynamic and essential industry.

A prospectus was filed in October and the company's shares began trading in November. The Company is concentrating on identifying a significant oil and gas acquisition that will provide the base from which the Company will grow through focused exploration and development.

It is management's intention to build a strong oil and gas company that owns and operates most of its assets. These assets should be concentrated in no more than three or four core areas, should have above average economic lives, be balanced between oil and gas and possess operating margins which will remain profitable under reasonably volatile market conditions. Finally, these assets should have the potential for increased value through development, rationalization and introduction of operating efficiencies.

Business Climate in 1994

The past year was a tumultuous one for the economy as a whole and the oil and gas sector in particular. Concerns surrounding Canada's debt precipitated a fall in the Canada:US exchange rate to just above \$0.70 Cdn per \$US which has had two significant impacts on the economy. First, with a cheaper dollar, Canadian exports have grown rapidly. Second, in order to prevent the exchange rate from reducing further, the central bank has substantially raised interest rates in step with increases made by the US Federal Reserve Bank. Given the near non-existence of inflation, the high interest rates are providing investors with very high real rates of return

causing them to remove funds from equity issues and place them into income instruments.

Oil and gas are commodities that trade world wide in US dollars. Consequently, Canadian producers realize an uplift to prices with a weaker Canadian dollar. Notwithstanding the foregoing, Canadian producers realized softer than expected prices for natural gas in 1994 primarily due to a warmer than usual winter, which sharply curtailed demand for gas held in storage, along with limitations in transportation capacity which restricted out of province gas sales. For instance in early January, 1994, weekly spot gas prices hovered around \$2.00 per gigajoule at AEC's storage inlet. By year end this had fallen to around \$1.05. On the other hand, 1994 saw large increases in spot gas exports to the US because of increased demand resulting from lower prices. Consequently deliveries of spot gas exports to the US in 1994 rose almost 271 bcf while gross overall revenues rose 13% despite lower prices.

While prices for natural gas fell off in 1994, oil prices firmed up. In January, 1994, refiners in Edmonton paid \$17.50 per barrel of light gravity oil. Heavy oil at Hardisty sold for \$12.60 per barrel. In January, 1995, Edmonton light crude price was \$23.68 while the price for heavy oil was \$20.00. These increases reflect a 35% increase to light oil and a 59% increase to heavy oil. Demand for Canadian heavy crude has increased primarily the result of increased capacity to the US and a growing reliance by the US on foreign oil.

Acquisitions

In 1994, management reviewed over two dozen potential acquisitions, most of which were not pursued as they lacked the focus and upside potential that are considered to be desirable for growth. Three offers were submitted, however none were accepted by the respective vendors. Overall, the quality of assets that were offered to the market during 1994 and within the price range of a company the size of Eden, was poor as reflected in the number of properties management pursued to the offer stage. However, the collapse of natural gas prices in the last quarter of 1994 due to a warm winter and general over supply, has reduced vendor expectations somewhat and forced the industry into another round of consolidation.

Eden management believes that 1995 will provide a much improved environment for acquisition of quality assets having focus and upside potential. Eden management is currently evaluating some of these and expects to be able to complete a significant transaction during 1995.

Management Team

Eden's management team consists of individuals collectively having in excess of 170 man years of experience covering operations management (+35), engineering (+75), geology and geophysics (+57), and finance and administration (+20). All of these individuals have gained

experience with major companies over the years where they have established excellent track records and all are founding shareholders of Eden. By assembling such a strong group of professionals, Eden is well positioned to quickly identify a suitable acquisition that will enable the company to add to shareholder value through focused exploration, development and operations.

Eden did not pay any salaries during 1994 and there is no intention to pay any salaries until such time as the company is generating sufficient cashflow to do so. Instead, individuals will continue to be compensated for their services through the granting of options. Office infrastructure and administration is provided on a cost effective basis by The Eikon Group Inc., a consulting company owned by some of the management of Eden. It is management's belief that shareholders are best served through prudent management practices that focus on minimizing all costs incurred by the company.

Outlook For 1995

The federal deficit and the pending referendum in Quebec are the major factors contributing to the value of the Canadian dollar on world markets. For 1995, the Canadian dollar is expected to trade in the range of \$0.70 to \$0.72. Canada's economy is expected to realize strong growth during the year, fuelled primarily through the export of commodities to the US. This may put upward pressure on the Canadian dollar, however, any strengthening of the dollar is likely to be dampened by a reduction in interest rates which currently are at an all time high in real terms.

Natural gas prices are expected to remain low during the year because of producers' excess capacity coupled with surplus gas storage. Fundamentals remain strong for increased demand for Canadian natural gas in US markets for the coming year. Similarly, oil prices are expected to remain firm for the year with strong demand in US markets for heavier Canadian crude likely to continue.

The financial fallout associated with the sharp drop in natural gas prices in the last quarter of 1994 is expected to be reflected in the first quarter results of companies with production skewed towards gas. Many senior and intermediate producers have announced intentions to shut in gas reserves in an effort to alleviate downward pressures on natural gas prices. Gas producers that are relatively highly leveraged with debt will likely have to start divesting assets. When this occurs, Eden will be positioned to capitalize on good opportunities as they evolve.

High interest rates coupled with sharply lower natural gas prices in late 1994 have dampened investor interest in oil and gas equities. However, despite this negative factor, several companies have recently announced new issues and management expects interest in the industry to grow

as the year progresses. With incremental US reserves becoming more difficult to discover, several US based companies have started to look at Canada for growth which should have a positive impact on the industry as a whole.

Management believes that Eden will be able to raise funds necessary to complete an attractive acquisition. The fundamentals that management believes will attract investor interest are strong and credible management, trading liquidity, financial flexibility, balanced assets and positive exploration and development results. Eden has the first three and with the successful acquisition of a good oil and gas asset, the company will be positioned to show the market it has the last two fundamental criteria for success.

Corporate Objectives

Eden's primary objective for 1995 is to complete its Major Transaction. On a longer term basis, management intends to **enhance shareholder value** through the following activities:

- Acquire high quality reserves having good upside potential;

- Establish a low cost structure to maximize reinvested cashflow;

- Implement programs to realize asset potential in a manner which prudently recognizes associated risk;

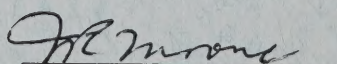
- Establish and maintain a focused approach to exploration and operations;

- Establish a portfolio of properties that are evenly balanced between oil and gas.

Acknowledgements

On behalf of Eden's management team, I would like to extend my gratitude to the shareholders for their continued support. Together we look towards 1995 as a period of evolution where Eden establishes itself as a serious participant in the oil and gas industry.

On Behalf of the Board of Directors,


John R. Moore, President

EDEN EXPLORATION LTD.

Financial Statements For the Period From August 31 to December 31, 1994

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SHAIKH & SHIKAZE
AN ASSOCIATION TO PRACTICE CHARTERED ACCOUNTANCY

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- * M.H. (Mike) Shaikh
- * Howard T. Shikaze
- * Denotes Professional Corporation

AUDITOR'S REPORT

To the Shareholders of Eden Exploration Ltd:

I have audited the balance sheet of Eden Exploration Ltd. as at December 31, 1994 and the statements of operations and deficit and changes in financial position for the period from August 31 to December 31, 1994. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1994 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
March 10, 1995

Howard T. Shikaze

Chartered Accountant

EDEN EXPLORATION LTD.

Balance Sheet

As at December 31, 1994

ASSETS

| | |
|---------|-------------------|
| Current | |
| Cash | \$ <u>346,630</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | |
|---------------------|-----------------|
| Current liabilities | |
| Accrued liabilities | \$ <u>1,200</u> |

| | |
|------------------------|-------------------|
| Shareholders' equity | |
| Share capital (Note 2) | 360,027 |
| Deficit | <u>(14,597)</u> |
| | <u>345,430</u> |
| | \$ <u>346,630</u> |

SIGNED ON BEHALF OF THE BOARD:



John R. Moore, Director



William J. Olsson, Director

See Accompanying Notes

EDEN EXPLORATION LTD.
Statement of Operations and Deficit
For the Period From August 31 to December 31, 1994

| | |
|--------------------------------------|--------------------|
| Interest income | \$ <u>2,454</u> |
| Expenses | |
| Subscriptions for technical database | 8,560 |
| General and administrative | <u>8,491</u> |
| | <u>17,051</u> |
| Net loss and deficit, end of year | \$ <u>(14,597)</u> |

See Accompanying Notes

EDEN EXPLORATION LTD.
Statement of Changes in Financial Position
For the Period From August 31 to December 31, 1994

| | |
|--|--------------------------|
| Operating activities: | |
| Net loss | \$ (14,597) |
| Net change in non-cash working capital | <u>1,200</u> |
| | <u>(13,397)</u> |
| Financing activities: | |
| Issuance of share capital | 420,000 |
| Share issue costs | <u>(59,973)</u> |
| | <u>360,027</u> |
| Increase in cash and cash, end of period | \$ <u><u>346,630</u></u> |

See Accompanying Notes

EDEN EXPLORATION LTD.
Notes to the Financial Statements
For the Period From August 31 to December 31, 1994

1. Organization

The Company was incorporated under the Alberta Business Corporations Act on March 25, 1993 as 560390 Alberta Ltd. On July 26, 1993 the Company changed its name to Eden Exploration Ltd. and is a Junior Capital corporation as defined in the Alberta Securities Commission Policy 4.11. The Company proposes to identify and evaluate opportunities for the acquisition of an interest in oil and gas or mineral assets, corporations, properties, or businesses and once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder and regulatory approval.

2. Share Capital

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares issuable in one or more series, each series to consist of such number of shares and to carry the designation, rights, privileges, restrictions and conditions as determined by the resolution of the directors.

Issued:

| | <u>Number</u> | <u>Amount</u> |
|---|------------------|-------------------|
| Issued for cash to officers and directors | 2,000,000 | \$ 100,000 |
| Issued for cash | 3,900,000 | 320,000 |
| Less share issue costs | - | (59,973) |
| Closing balance | <u>5,900,000</u> | <u>\$ 360,027</u> |

Included in the issued shares are 3,400,000 common shares with a stated value of \$170,000. These shares will be held in escrow and the first release shall not occur without the written consent of the Chief of Securities Administration of the Alberta Securities Commission Agency.

The corporation has established a Stock Option Plan for its directors, officers, employees, consultants and advisors and has granted options to purchase of 583,800 common shares at a price of \$0.10 per share until August 31, 1999.

On October 5, 1994, the Company entered into an Agency Agreement with McDermid St. Lawrence Chisholm Ltd. Under the terms of the agreement, the Agent has a non-transferrable option to acquire 250,000 common shares at a price of \$0.10 per share exercisable at any time within eighteen months from the date of the listing of the Company's common shares on the Alberta Stock Exchange. The shares were listed on November 14, 1994.

3. Related party transaction

During the year, the Company paid \$14,980 for office rent, administrative services and subscription to a technical database to a company controlled by three officers of the Company.

4. Income taxes

For income tax purposes, the Company has a loss carryforward of \$14,597 which can be used to reduce future years' taxable income. This loss may be carried forward for seven years. The computed expected tax recovery of \$6,472 has not been recognized in these financial statements.

5. Loss per share

The loss per share information has not been presented as the number is insignificant.

Fully diluted loss per share information has not been presented as the exercise of the options would be anti-dilutive.

Corporate Information

Directors

John R. Moore
Calgary, Alberta

Francois Burger (1)
Calgary, Alberta

William J. Olsson (1)
Calgary, Alberta

Michael Oforsagd
Calgary, Alberta

William S. Kolodinsky (1)
Calgary, Alberta

(1) Member of the Audit Committee

Officers and Senior Management

John R. Moore, P.Eng
President

William Olsson, P.Geol., MBA
Vice-President and Secretary

George I. Reynolds, P.Eng
Vice-President

Michael Oforsagd
Vice-President

Head Office

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Internet:

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Auditor

Howard T. Shikaze
Professional Corporation
Chartered Accountants
1610, 736 - 6th Avenue S.W.
Calgary, Alberta

Bankers

Toronto Dominion Bank
Calgary, Alberta

Solicitor

Edward N. Vink
Calgary, Alberta

Registrar and Transfer Agent

The R-M Trust Company
Calgary, Alberta

Stock Exchange Listing

Alberta Stock Exchange
Trading Symbol "EDX"

